

Turkey Valley Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Turkey Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Roger Ott	President	2011
Linus Kuhn	Vice President	2013
John Cuvelier	Board Member	2013
Jolene Steinlage	Board Member	2011
Ernie Schmitt	Board Member	2011

School Officials

Chris Hoover	Superintendent	2011
Janice Myers	Board Treasurer/Business Manager	2011
Joan Busta	Board Secretary	2011

Independent Auditor's Report

To the Board of Education of
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District, Jackson Junction, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

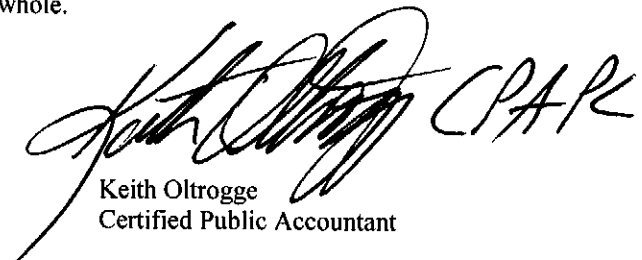
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 19, 2011 on my consideration of Turkey Valley Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

March 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Turkey Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,694,388 in fiscal year 2010 to \$5,287,858 in fiscal year 2011, while General Fund expenditures decreased from \$4,831,055 in fiscal 2010 to \$4,801,916 in fiscal 2011. The District's General Fund balance increased from \$416,573 in fiscal 2010 to \$909,301 in fiscal year 2011, a 218% increase.
- The decrease in General Fund revenues was attributable to increases in local and state sources in fiscal 2011. The decrease in expenditures was due to a decrease in instruction expenses.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 5.9% in 2010 to 10.5% in fiscal 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Turkey Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Turkey Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Turkey Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Turkey Valley Community School District Annual Financial Report

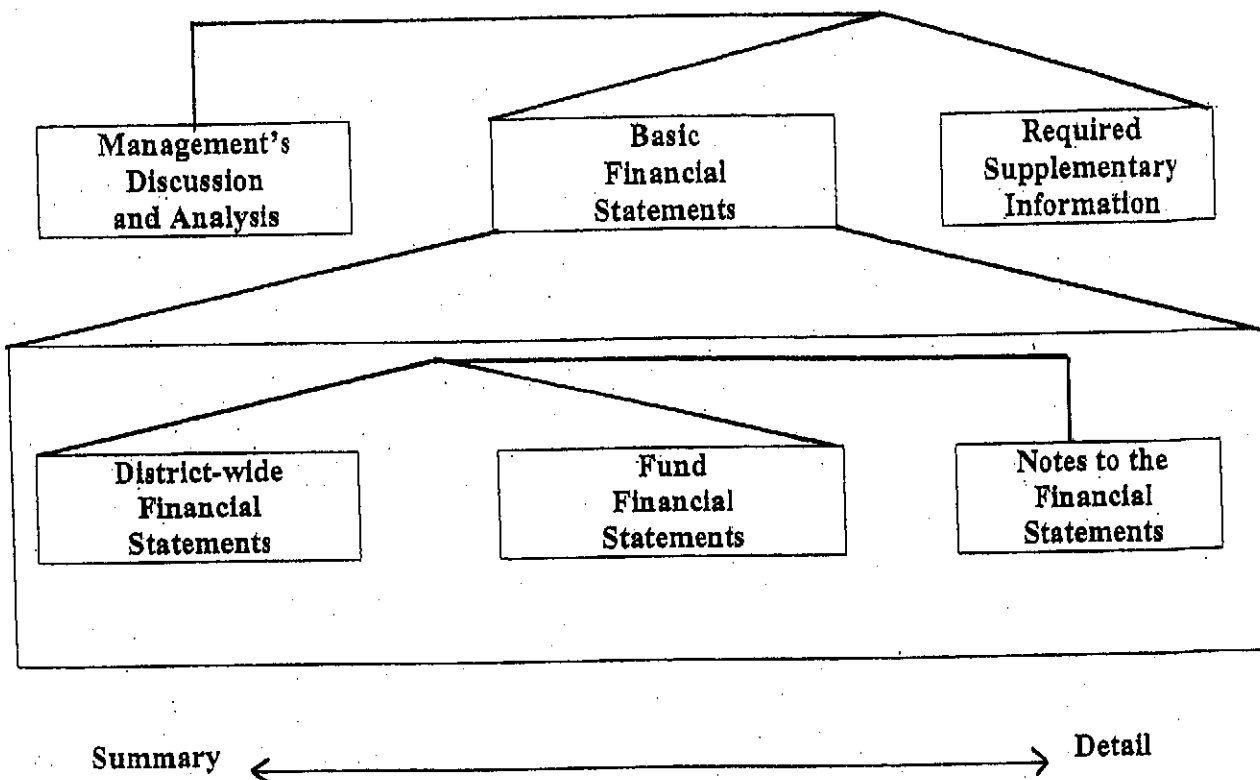


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

<p style="text-align: center;">Figure A-3 Condensed Statement of Net Assets</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$4,828,184	\$4,075,772	\$113,505	\$90,917	\$4,941,689	\$4,166,689	18.6%
Capital assets	2,904,099	2,851,287	15,056	17,786	2,919,155	2,869,073	1.7%
Total assets	\$7,732,283	\$6,927,059	\$128,561	\$108,703	\$7,860,844	\$7,035,762	11.7%
Long-term liabilities	\$159,157	\$127,118	\$-	\$-	\$159,157	\$127,118	25.2%
Other liabilities	3,059,104	3,045,601	54,141	40,609	3,113,245	3,086,210	0.9%
Total liabilities	\$3,218,261	\$3,172,719	\$54,141	\$40,609	\$3,272,402	\$3,213,328	1.8%
Net assets:							
Invested in capital assets, net of related debt	\$2,904,099	\$2,816,214	\$15,056	\$17,786	\$2,919,155	\$2,834,000	3.0%
Restricted	1,188,746	403,660	-	-	1,188,746	403,660	294.5%
Unrestricted	421,900	534,466	58,641	50,308	480,541	584,774	-17.8%
Total net assets	\$4,514,745	\$3,754,340	\$73,697	\$68,094	\$4,588,442	\$3,822,434	20.0%

The District's combined net assets increased by 20.0%, or \$766,008, over the prior year. The largest portion of the District's net assets is in "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$785,086, or 294.5%, over the prior year. The increase was due to reclassifications.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$104,233, or 17.8%. The decrease was due to reclassifications.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$793,352	\$693,945	\$160,259	\$185,197	\$953,611	\$879,142	8.5%
Operating grants, contributions and restricted interest	1,017,304	965,550	88,357	79,051	1,105,661	1,044,601	5.8%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,369,608	2,155,751	-	-	2,369,608	2,155,751	9.9%
Statewide sales, service and use tax	323,766	333,020	-	-	323,766	333,020	-2.8%
Unrestricted state grants	1,556,279	1,309,517	-	-	1,556,279	1,309,517	18.8%
Unrestricted investment earnings	15,527	15,480	161	153	15,688	15,633	0.4%
Other	278,080	97,066	450	950	278,530	98,016	284.2%
Total revenues	\$6,353,916	\$5,570,329	\$249,227	\$265,351	\$6,603,143	\$5,835,680	13.2%
Program expenses:							
Governmental activities:							
Instruction	\$3,740,477	\$3,704,159	\$29,626	\$65,871	\$3,770,103	\$3,770,030	-
Support services	1,592,279	1,565,049	-	-	1,592,279	1,565,049	1.7%
Non-instructional programs	-	-	213,998	222,126	213,998	222,126	3.7%
Other expenses	267,541	110,453	-	-	267,541	110,453	242.2%
Total expenses	\$5,600,297	\$5,379,661	\$243,624	\$287,997	\$5,843,921	\$5,667,658	3.1%
Change in net assets	\$753,619	\$190,668	\$5,603	-\$22,646	\$759,222	\$168,022	451.9%

In fiscal year 2011, property tax and unrestricted state grants account for 59.5% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.7% of business type activities revenue.

The District's total revenues were approximately \$6.6 million, of which approximately \$6.4 million was for governmental activities and \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 13.2% increase in revenues and a 3.1% increase in expenses. Property tax increased approximately \$214,000.

Governmental Activities

Revenues for governmental activities were \$6,353,916 and expenses were \$5,600,297 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
Instruction	\$3,740,477	\$3,704,159	1.0%	\$2,034,379	\$2,159,800	-5.8%
Support services	1,592,279	1,565,049	1.7%	1,487,721	1,449,913	2.6%
Non-instructional programs	-	-	-	-	-	-
Other expenses	267,541	110,453	242.2%	267,541	110,453	242.2%
Totals	\$5,600,297	\$5,379,661	4.1%	\$3,789,641	\$3,720,166	1.9%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$953,611.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,105,661.
- The net cost of governmental activities was financed with \$2,693,374 in property and other taxes and \$1,556,279 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$249,227 and expenses were \$243,624. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Turkey Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,764,697, well above last year's ending fund balance of \$1,028,799.

Governmental Fund Highlights

- The District is trying to curb all unnecessary expenditures while providing excellent educational opportunities for the students. The General Fund balance increased from \$416,573 to \$909,301 due, in part, to the increase in revenue from state and local sources.
- The Capital Projects Fund balance increased from \$230,126 to \$596,734 due, in part, to the increase of \$204,976 in statewide sales, services and use tax.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased \$18,034. For fiscal 2011, the District did not charge the School Nutrition Fund for all secretarial or custodial help incurred by this program.
- The Preschool Program net assets decreased from -\$37,230 in fiscal 2010 to -\$49,661 at June 30, 2011.

BUDGETARY HIGHLIGHTS

The District's Governmental receipts were \$258,841 more than budgeted receipts, a variance of 4.1%. The variance resulted from the District receiving more in state sources than originally anticipated.

Total Governmental expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$2,919,155, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$279,361.

The original cost of the District's capital assets was \$8,099,152. Governmental funds account for \$8,066,599, with the remainder of \$32,553 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction process category. The increase is due to the reroofing project.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Construction in process	\$176,833	\$-	\$-	\$-	\$176,833	\$-	100%
Land	31,046	31,046	-	-	31,046	31,046	-
Buildings	2,147,234	2,179,814	-	-	2,147,234	2,179,814	-4.2%
Improvements other than buildings	149,759	158,670	-	-	149,759	158,670	-5.7%
Furniture and equipment	399,227	481,757	15,056	17,786	414,283	499,543	-17.1%
Totals	\$2,904,099	\$2,851,287	\$15,056	\$17,786	\$2,919,155	\$2,869,073	1.7%

Long-Term Debt

At June 30, 2011, the District had \$0 in other long-term debt outstanding. This represents a decrease of 100% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District does not have any outstanding general obligation debt.

The District's loans payable from the Capital Projects, Physical Plant and Equipment Levy Fund were paid in full during the year ended June 30, 2011.

Figure A-7			
Outstanding Long-term Obligations			
Total District		Total Change	
June 30,		June 30,	
2011	2010	2010-2011	
Loans Payable		\$-	\$35,073 100%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of existing circumstances that could significantly affect its financial health in the future except for:

- The District has experienced declining enrollment for the past several years and expects it to continue to decline in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Myers, Board Treasurer, Turkey Valley Community School District, Jackson Junction IA 52171.

Basic Financial Statements

Turkey Valley Community School District

Statement of Net Assets

June 30, 2011

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,034,966	\$ 103,137	\$ 2,138,103
Receivables:			
Property tax:			
Delinquent	39,951	-	39,951
Succeeding year	2,447,266	-	2,447,266
Accounts	186,104	176	186,280
Net OPEB prepaid liability	5,106	-	5,106
Due from other governments	114,791	-	114,791
Inventories	-	10,192	10,192
Capital assets, net of accumulated depreciation	2,904,099	15,056	2,919,155
Total Assets	\$ 7,732,283	\$ 128,561	\$ 7,860,844
Liabilities			
Bank overdrafts	\$ -	\$ 40,946	\$ 40,946
Accounts payable	190,799	27	190,826
Salaries and benefits payable	367,139	8,688	375,827
Deferred revenue-succeeding year property tax	2,447,266	-	2,447,266
Deferred revenue-other	30,177	4,480	34,657
Early retirement benefits	23,723	-	23,723
Accrued interest			
Long-term liabilities:			
Portion due within one year:			
Early retirement	54,902	-	54,902
Portion due after one year:			
Early retirement	104,255	-	104,255
Total Liabilities	\$ 3,218,261	\$ 54,141	\$ 3,272,402
Net Assets			
Invested in capital assets, net of related debt	\$ 2,904,099	\$ 15,056	\$ 2,919,155
Restricted for:			
Categorical funding	205,271	-	205,271
General fund	200,000	-	200,000
Physical plant and equipment	115,574	-	115,574
Student activities	186,741	-	186,741
Capital projects	481,160	-	481,160
Unrestricted	421,900	58,641	480,541
Total Net Assets	\$ 4,514,745	\$ 73,697	\$ 4,588,442

See notes to financial statements.

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,426,601	\$ 313,004	\$ 755,708	\$ -
Special instruction	636,032	78,683	211,969	-
Other instruction	677,844	320,525	26,209	-
	<u>\$ 3,740,477</u>	<u>\$ 712,212</u>	<u>\$ 993,886</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 197,287	\$ -	\$ 4,423	\$ -
Instructional staff services	126,857	-	-	-
Administration services	554,030	81,140	1,500	-
Operation and maintenance of plant services	416,399	-	-	-
Transportation services	297,706	-	17,495	-
	<u>\$ 1,592,279</u>	<u>\$ 81,140</u>	<u>\$ 23,418</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 68,719	\$ -	\$ -	\$ -
Long term debt interest	103	-	-	-
AEA flow through	198,719	-	-	-
	<u>\$ 267,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,600,297</u>	<u>\$ 793,352</u>	<u>\$ 1,017,304</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 213,998	\$ 143,514	\$ 88,357	\$ -
Instructional:				
Preschool operations	29,626	16,745	-	-
Total Business Type Activities	<u>\$ 243,624</u>	<u>\$ 160,259</u>	<u>\$ 88,357</u>	<u>\$ -</u>
Total	<u>\$ 5,843,921</u>	<u>\$ 953,611</u>	<u>\$ 1,105,661</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	-1,357,889	\$ -	\$ -1,357,889
	-345,380	-	-345,380
	-331,110	-	-331,110
\$	-2,034,379	\$ -	\$ -2,034,379
\$	-192,864	\$ -	\$ -192,864
	-126,857	-	-126,857
	-471,390	-	-471,390
	-416,399	-	-416,399
	-280,211	-	-280,211
\$	-1,487,721	\$ -	\$ -1,487,721
\$	-68,719	\$ -	\$ -68,719
	-103	-	-103
	-198,719	-	-198,719
\$	-267,541	\$	\$ -267,541
\$	-3,789,641	\$	\$ -3,789,641
\$	-	\$ 17,873	\$ 17,873
	-	-12,881	-12,881
\$	-	\$ 4,992	\$ 4,992
\$	-3,789,641	\$ 4,992	\$ -3,784,649

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2011

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year			
Prior period adjustment			
Adjusted net assets beginning of year			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	2,211,478	\$	-	\$ 2,211,478
	158,130		-	158,130
	323,766		-	323,766
	1,556,279		-	1,556,279
	15,527		161	15,688
	278,080		450	278,530
\$	4,543,260	\$	611	\$ 4,543,871
\$	753,619	\$	5,603	\$ 759,222
\$	3,754,340	\$	68,094	\$ 3,822,434
	6,786		-	6,786
\$	3,761,126	\$	68,094	\$ 3,829,220
\$	4,514,745	\$	73,697	\$ 4,588,442

Turkey Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Non-major Funds	Total
Assets				
Cash and Pooled Investments	\$ 1,148,958	\$ 606,671	\$ 279,337	\$ 2,034,966
Receivables:				
Property Tax:				
Delinquent	35,769	2,666	1,516	39,951
Succeeding year	2,190,338	161,928	95,000	2,447,266
Accounts	177,349	-	8,755	186,104
Due from other governments	49,690	65,101	-	114,791
Interfund receivable	1,293	21,852	-	23,145
Total Assets	\$ 3,603,397	\$ 858,218	\$ 384,608	\$ 4,846,223
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ -	\$ 22,422	\$ -	\$ 22,422
Accounts payable	106,442	77,134	7,223	190,799
Salaries and benefits payable	367,139	-	-	367,139
Deferred Revenue:				
Succeeding year property tax	2,190,338	161,928	95,000	2,447,266
Other	30,177	-	-	30,177
Early retirement benefits	-	-	23,723	23,723
Total Liabilities	\$ 2,694,096	\$ 261,484	\$ 125,946	\$ 3,081,526
Fund Balances:				
Restricted for:				
Categorical funding	\$ 205,271	\$ -	\$ -	\$ 205,271
General fund	200,000	-	-	200,000
Management levy purposes	-	-	71,921	71,921
Student activities	-	-	186,741	186,741
School infrastructure	-	481,160	-	481,160
Physical plant and equipment	-	115,574	-	115,574
Unassigned	504,030	-	-	504,030
Total Fund Balance	\$ 909,301	\$ 596,734	\$ 258,662	\$ 1,764,697
Total Liabilities and Fund Balances	\$ 3,603,397	\$ 858,218	\$ 384,608	\$ 4,846,223

See notes to financial statements.

Turkey Valley Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 16)	\$ 1,764,697
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	2,904,099
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	5,106
Long-term liabilities, including bonds payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds	<u>-159,157</u>
Net assets of governmental activities (page 13)	<u>\$ 4,514,745</u>

Turkey Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Non-major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,121,541	\$ 481,896	\$ 89,937	\$ 2,693,374
Tuition	315,171	-	-	315,171
Other	275,479	205,767	288,301	769,547
Intermediate sources	2,241	-	-	2,241
State sources	2,135,779	100	57	2,135,936
Federal sources	437,647	-	-	437,647
Total Revenues	\$ 5,287,858	\$ 687,763	\$ 378,295	\$ 6,353,916
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,071,140	\$ 78,578	\$ 78,810	\$ 2,228,528
Special instruction	635,574	-	-	635,574
Other instruction	429,082	-	241,988	671,070
	\$ 3,135,796	\$ 78,578	\$ 320,798	\$ 3,535,172
Support Services:				
Student services	\$ 197,287	\$ -	\$ -	\$ 197,287
Instructional staff services	126,857	-	-	126,857
Administration services	532,525	-	12,577	545,102
Operation and maintenance of plant services	373,307	3,672	24,409	401,388
Transportation services	237,425	-	7,467	244,892
	\$ 1,467,401	\$ 3,672	\$ 44,453	\$ 1,515,526
Other Expenditures:				
Facilities acquisition	\$ -	\$ 340,103	\$ -	\$ 340,103
Long term debt:				
Principal	-	-	35,073	35,073
Interest and fiscal charges	-	-	211	211
AEA flow-through	198,719	-	-	198,719
	\$ 198,719	\$ 340,103	\$ 35,284	\$ 574,106
Total Expenditures	\$ 4,801,916	\$ 422,353	\$ 400,535	\$ 5,624,804
Excess (deficiency) of revenues over (under) expenditures	\$ 485,942	\$ 265,410	\$ -22,240	\$ 729,112
Other Financing Sources (Uses):				
Operating transfers in (out)	\$ -	\$ -35,284	\$ 35,284	\$ -
Net change in fund balances	\$ 485,942	\$ 230,126	\$ 13,044	\$ 729,112
Fund balances beginning of year, as restated	\$ 416,573	\$ 366,608	\$ 245,618	\$ 1,028,799
Prior period adjustment	6,786	-	-	6,786
Adjusted fund balances beginning of year, as restated	\$ 423,359	\$ 366,608	\$ 245,618	\$ 1,035,585
Fund Balances End of Year	\$ 909,301	\$ 596,734	\$ 258,662	\$ 1,764,697

See notes to financial statements.

Turkey Valley Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2011

Net change in fund balances – total governmental funds (page 18) \$ 729,112

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 329,442	
Depreciation expense	-276,630	52,812

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as:

Repaid	35,073
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ -67,112	
Other postemployment benefits	3,626	-63,486

Change in Net Assets of Governmental Activities (page 15) \$ 753,619

Turkey Valley Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2011

	School Nutrition	Preschool Program	Total
Assets			
Cash and cash equivalents	\$ 103,137	\$ -	\$ 103,137
Accounts receivable	176	-	176
Inventories	10,192	-	10,192
Capital assets, net of accumulated depreciation	15,056	-	15,056
Total Assets	\$ 128,561	\$ -	\$ 128,561
Liabilities			
Accounts payable	\$ -	\$ 27	\$ 27
Due to other funds	723	-	723
Bank overdrafts	-	40,946	40,946
Salaries and benefits payable	-	8,688	8,688
Deferred revenue-other	4,480	-	4,480
Total Liabilities	\$ 5,203	\$ 49,661	\$ 54,864
Net Assets			
Invested in capital assets, net of related debt	\$ 15,056	\$ -	\$ 15,056
Unrestricted	108,302	-49,661	58,641
Total Net Assets	\$ 123,358	\$ -49,661	\$ 73,697

See notes to financial statements.

Turkey Valley Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2011

	School Nutrition	Preschool Program	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 143,514	\$ 16,745	\$ 160,259
Contributions	-	450	450
	\$ 143,514	\$ 17,195	\$ 160,709
Operating expenses:			
Instructional programs:			
Salaries	\$ -	\$ 22,604	\$ 22,604
Benefits	-	3,325	3,325
Purchased services	-	170	170
Supplies	-	3,527	3,527
Total	\$ -	\$ 29,626	\$ 29,626
Non-instructional programs:			
Salaries	\$ 70,282	\$ -	\$ 70,282
Benefits	23,001	-	23,001
Purchased services	836	-	836
Supplies	116,425	-	116,425
Depreciation	2,731	-	2,731
Other	723	-	723
Total	\$ 213,998	\$ -	\$ 213,998
Total operating expenses	\$ 213,998	\$ 29,626	\$ 243,624
Operating loss	\$ -70,484	\$ -12,431	\$ -82,915
Non-operating revenues:			
State sources	\$ 2,245	\$ -	\$ 2,245
Federal sources	86,112	-	86,112
Interest income	161	-	161
Total non-operating revenues	\$ 88,518	\$ -	\$ 88,518
Change in net assets	\$ 18,034	\$ -12,431	\$ 5,603
Net assets beginning of year	105,324	-37,230	68,094
Net Assets End of Year	\$ 123,358	\$ -49,661	\$ 73,697

See notes to financial statements.

Turkey Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2011

	School Nutrition	Preschool Program
Cash flows from operating activities:		
Cash received from preschool fees and donations	\$ -	\$ 17,195
Cash received from sale of lunches and breakfasts	145,733	-
Cash paid to employees for services	-26,191	-25,651
Cash paid to suppliers for goods or services	-88,539	-3,670
Net cash used by operating activities	\$ 31,003	\$ -12,126
Cash flows from non-capital financing activities:		
State grants received	\$ 2,245	\$ -
Federal grants received	56,474	-
Net cash provided by non-capital financing activities	\$ 58,719	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 161	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 89,883	\$ -12,126
Cash and cash equivalents beginning of year	13,254	-28,820
Cash and Cash Equivalents End of Year	\$ 103,137	\$ -40,946
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ -70,484	\$ -12,431
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	29,637	-
Depreciation	2,731	-
Decrease in accounts receivable	1,118	-
(Increase) in inventories	-1,515	-
Increase in deferred revenue	1,101	-
Increase in accounts payable	-	27
Increase in accrued salaries	-	278
Decrease in interfund receivable	67,692	-
Increase in interfund payable	723	-
Net Cash Used by Operating Activities	\$ 31,003	\$ -12,126

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$29,637 of federal commodities.

Turkey Valley Community School District

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 3,868
Liabilities	
Accounts payable	\$ -
Net Assets	
Reserved for scholarships	\$ 3,868

See notes to financial statements.

Turkey Valley Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year Ended June 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 53
Deductions	
Support services:	
Scholarships awarded	\$ 600
Change in net assets	\$ -547
Net assets beginning of year	<u>4,415</u>
Net Assets End of Year	<u>\$ 3,868</u>

See notes to financial statements.

Turkey Valley Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in eastern Chickasaw, northwestern Fayette, southern Howard and southern Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Turkey Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Turkey Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	<u>\$ 339,685</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	<u>\$ 35,284</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due From and Due To Other Funds

The details of inter-fund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects – Statewide Sales, Services and Use Tax	Capital Projects – Physical Plant and Equipment Levy	\$ 21,852
General Fund	Capital Projects – Statewide Sales, Services and Use Tax	570
General Fund	Enterprise – School Nutrition	723
Total		<u>\$ 23,145</u>

The Capital Projects – Physical Plant and Equipment Levy owes the Capital Projects – Statewide Sales and Services Tax for a software purchase. The Capital Projects – Statewide Sales, Services and Use Tax owes the General Fund for General Fund revenue deposited in the wrong fund.

The Enterprise – School Nutrition owes the General Fund for unreimbursed salaries. The balances will be repaid by June 30, 2012.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,046	\$ -	\$ -	\$ 31,046
Construction in process	-	176,833	-	176,833
Total capital assets not being depreciated	\$ 31,046	\$ 176,833	\$ -	\$ 207,879
Capital assets being depreciated:				
Buildings	\$ 3,105,584	\$ 84,000	\$ -	\$ 3,189,584
Improvements other than buildings	208,661	-	-	208,661
Furniture and equipment	4,391,866	68,609	-	4,460,475
Total capital assets being depreciated	\$ 7,706,111	\$ 152,609	\$ -	\$ 7,858,720
Less accumulated depreciation for:				
Buildings	\$ 925,770	\$ 116,580	\$ -	\$ 1,042,350
Improvements other than buildings	49,991	8,911	-	58,902
Furniture and equipment	3,910,109	151,139	-	4,061,248
Total accumulated depreciation	\$ 4,885,870	\$ 276,630	\$ -	\$ 5,162,500
Total capital assets being depreciated, net	\$ 2,820,241	\$ -124,021	\$ -	\$ 2,696,220
Governmental Activities Capital Assets, Net	\$ 2,851,287	\$ 52,812	\$ -	\$ 2,904,099
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 38,487	\$ -	\$ 5,934	\$ 32,553
Less accumulated depreciation	20,700	2,731	5,934	17,497
Business Type Activities Capital Assets, Net	\$ 17,787	\$ -2,731	\$ -	\$ 15,056
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 192,645
Special				458
Other				6,774
Support services:				
Administration				8,928
Operation and maintenance of plant				15,011
Transportation				52,814
Total Depreciation Expense – Governmental Activities				\$ 276,630
Business Type Activities:				
Food service operations				\$ 2,731

(6) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Loan payable	\$ 35,073	\$ -	\$ 35,073	\$ -	\$ -
Early retirement	92,045	106,053	38,941	159,157	54,902
Total	\$ 127,118	\$ 106,053	\$ 74,014	\$ 159,157	\$ 54,902

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2011 totaled \$38,941.

Loan Payable

During the year ended June 30, 2010, the District issued a school equipment loan for \$161,000 at 3.75% interest rate with monthly payments of \$12,900. The loan was paid in full in August 2011.

During the year ended June 30, 2011, the District made principal and interest payments totaling \$35,284 under the agreement.

(7) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$203,816, \$196,040, and \$188,778, respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits (OPEB)**

June 1, 2009 Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 60 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

June 1, 2008 Plan Description – The District is a member of a twelve school trust – (NEISIT) Northeast Iowa Schools Insurance Trust. Each school provided active and retired employee information. The plan provides medical benefits to retirees and their spouses. The District had 68 active and 6 retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 38,217
Interest on net OPEB obligation	-37
Adjustment to annual required contribution	-2,615
Annual OPEB cost	\$ 35,565
Contributions made	-39,191
Increase in net OPEB obligation	\$ -3,626
Net OPEB obligation beginning of year	-1,480
Net OPEB obligation end of year	\$ -5,106 *

*Negative means pre-paid liability.

For calculation of the net OPEB obligation, the actuary has set the transition day as June 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$445,860 to the medical plan. Plan members eligible for benefits contributed \$51,504 of the premium costs or 10.4%.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$37,203	104%	-\$1,489
June 30, 2011	\$38,217	105%	-\$5,106

Funded Status and Funding Progress – As of June 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$364,470, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$364,470. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,461,998, and the ratio of the UAAL to covered payroll was 14.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of June 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$310.21 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Turkey Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$198,719 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home School Assistance	\$ 1,714
Gifted and Talented Programs	11,836
Beginning Teacher Mentoring	743
Teacher Salary Supplement	152,475
Dropout Prevention	37,134
Non-Public Textbooks	932
Professional Development	84
Core	353
Total	<u>\$ 205,271</u>

(12) Subsequent Events

The District has evaluated subsequent events through March 19, 2012 which is the date that the financial statements were available to be issued.

(13) Prior Period Adjustment

The General Fund had a \$6,786 prior period adjustment for a 2010 expenditure.

(14) Deficit Balance

The District's Enterprise, Preschool Fund had a negative, unrestricted net asset balance of -\$49,661 at June 30, 2011.

(15) Construction Commitments

At June 30, 2011, the District had committed \$100,000 for a new fitness facility. On July 26, 2011, the District accepted the bid of \$393,019 for the Fitness Facility.

The District has entered into a contract totaling \$187,180 for a reroofing project at June 30, 2011. \$176,833 was in construction in process. The balance will be paid when the project is completed.

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 245,825	\$ 120,783
Change in fund type classification per implementation of GASB Statement No. 54	120,783	-120,783
Balances July 1, 2010, as restated	\$ 366,608	\$ -

Required Supplementary Information

Turkey Valley Community School District

**Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,778,092	\$ 160,870
Intermediate sources	2,241	-
State sources	2,135,936	2,245
Federal sources	437,647	86,112
Total Receipts	<u>\$ 6,353,916</u>	<u>\$ 249,227</u>
Disbursements:		
Instruction	\$ 3,535,172	\$ 29,626
Support services	1,515,526	-
Non-instructional programs	-	213,998
Other expenditures	574,106	-
Total Disbursements	<u>\$ 5,624,804</u>	<u>\$ 243,624</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>\$ 729,112</u>	<u>\$ 5,603</u>
Balances beginning of year	\$ 1,028,799	\$ 68,094
Prior period adjustment	6,786	-
Adjusted balances beginning of year	<u>\$ 1,035,585</u>	<u>\$ 68,094</u>
Balances End of Year	<u>\$ 1,764,697</u>	<u>\$ 73,697</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts		Final To Actual Variance
\$	3,938,962	\$	3,603,697	\$	335,265
	2,241		86,400		-84,159
	2,138,181		2,311,205		-173,024
	523,759		343,000		180,759
\$	6,603,143	\$	6,344,302	\$	258,841
\$	3,564,798	\$	4,204,666	\$	639,868
	1,515,526		1,585,800		70,274
	213,998		250,000		36,002
	574,106		451,974		-122,132
\$	5,868,428	\$	6,492,440	\$	624,012
\$	734,715	\$	-148,138	\$	882,853
\$	1,096,893	\$	700,135	\$	396,758
	6,786		-		6,786
\$	1,103,679	\$	700,135	\$	403,544
\$	1,838,394	\$	551,997	\$	1,286,397

Turkey Valley Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Turkey Valley Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$455	\$455	0.0%	\$2,676	17%
2010	June 1, 2009	-	\$399	\$399	0.0%	\$2,784	14.3%
2011	June 1, 2009	-	\$364	\$364	0.0%	\$2,462	14.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

Turkey Valley Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 94,128	\$ 185,209	\$ 279,337
Receivables:			
Property Tax:			
Delinquent	1,516	-	1,516
Succeeding year	95,000	-	95,000
Accounts	-	8,755	8,755
Total Assets	\$ 190,644	\$ 193,964	\$ 384,608
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 7,223	\$ 7,223
Deferred revenue:			
Succeeding year property tax	95,000	-	95,000
Early retirement benefits	23,723	-	23,723
Total Liabilities	\$ 118,723	\$ 7,223	\$ 125,946
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 71,921	\$ -	\$ 71,921
Student activities	-	186,741	186,741
Total fund balances	\$ 71,921	\$ 186,741	\$ 258,662
Total Liabilities and Fund Balances	\$ 190,644	\$ 193,964	\$ 384,608

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2011

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues:				
Local Sources:				
Local tax	\$ 89,937	\$ -	\$ -	\$ 89,937
Other	11,979	276,322	-	288,301
State sources	57	-	-	57
Total Revenues	\$ 101,973	\$ 276,322	\$ -	\$ 378,295
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 78,810	\$ -	\$ -	\$ 78,810
Other instruction	-	241,988	-	241,988
Support services:				
Administrative services	12,577	-	-	12,577
Operation and maintenance of plant services	24,409	-	-	24,409
Transportation services	7,467	-	-	7,467
Other expenditures:				
Long-term debt:				
Principal	-	-	35,073	35,073
Interest and fiscal charges	-	-	211	211
Total Expenditures	\$ 123,263	\$ 241,988	\$ 35,284	\$ 400,535
Excess (deficiency) of revenue over (under) expenditures	\$ -21,290	\$ 34,334	\$ -35,284	\$ -22,240
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 35,284	\$ 35,284
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	\$ -21,290	\$ 34,334	\$ -	\$ 13,044
Fund balances beginning of year, as restated	\$ 93,211	\$ 152,407	\$ -	\$ 245,618
Fund Balances End of Year	\$ 71,921	\$ 186,741	\$ -	\$ 258,662

See accompanying independent auditor's report.

Turkey Valley Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 468,239	\$ 138,432	\$ 606,671
Receivables:			
Property Tax:			
Delinquent	-	2,666	2,666
Succeeding year	-	161,928	161,928
Due from other governments	65,101	-	65,101
Due from other funds	21,852	-	21,852
Total Assets	\$ 555,192	\$ 303,026	\$ 858,218
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 73,462	\$ 3,672	\$ 77,134
Due to other funds	570	21,852	22,422
Deferred revenue:			
Succeeding year property tax	-	161,928	161,928
Total Liabilities	\$ 74,032	\$ 187,452	\$ 261,484
Fund Balances:			
Restricted for:			
School infrastructure	\$ 481,160	\$ -	\$ 481,160
Physical plant and equipment	-	115,574	115,574
Total fund balances	\$ 481,160	\$ 115,574	\$ 596,734
Total Liabilities and Fund Balances	\$ 555,192	\$ 303,026	\$ 858,218

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 323,766	\$ 158,130	\$ 481,896
Other	204,976	791	205,767
State sources	-	100	100
Total Revenues	<u>\$ 528,742</u>	<u>\$ 159,021</u>	<u>\$ 687,763</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,020	\$ 77,558	\$ 78,578
Support Services:			
Operation and maintenance of plant services	-	3,672	3,672
Other Expenditures:			
Facilities acquisition	257,103	83,000	340,103
Total Expenditures	<u>\$ 258,123</u>	<u>\$ 164,230</u>	<u>\$ 422,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 270,619</u>	<u>\$ -5,209</u>	<u>\$ 265,410</u>
Other Financing Sources (Uses):			
Operating transfers in (out)	<u>\$ -35,284</u>	<u>\$ -</u>	<u>\$ -35,284</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 235,335</u>	<u>\$ -5,209</u>	<u>\$ 230,126</u>
Fund balances beginning of year, as restated	245,825	120,783	366,608
Fund Balances End of Year	<u>\$ 481,160</u>	<u>\$ 115,574</u>	<u>\$ 596,734</u>

See accompanying independent auditor's report.

Turkey Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ 293	\$ 55,371	\$ 45,345	\$ 1,317	\$ 11,636
General accounts	18,874	1,317	320	-1,317	18,554
Materials for resale (resale)	19,199	3,195	2,804	-	19,590
Athletics	56,581	160,305	138,033	-	78,853
School music groups (Fine Arts)	10,833	16,990	18,290	-	9,533
School clubs (classes)	30,101	15,760	16,214	-	29,647
Other student activities (clubs)	16,526	23,384	20,982	-	18,928
Total	\$ 152,407	\$ 276,322	\$ 241,988	\$ -	\$ 186,741

Turkey Valley Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 2,693,374	\$ 2,488,771	\$ 2,379,007	\$ 2,245,185
Tuition	315,171	267,580	354,181	300,172
Other	769,547	533,416	430,812	449,689
Intermediate sources	2,241	5,494	-	26,149
State sources	2,135,936	1,838,904	2,350,109	2,369,384
Federal sources	437,647	436,164	277,176	75,968
Total	<u>\$ 6,353,916</u>	<u>\$ 5,570,329</u>	<u>\$ 5,791,285</u>	<u>\$ 5,466,547</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,228,528	\$ 2,299,165	\$ 2,237,723	\$ 2,256,909
Special instruction	635,574	638,381	613,753	474,371
Other instruction	671,070	627,431	599,412	556,330
Support services:				
Student services	197,287	184,449	175,525	127,405
Instructional staff services	126,857	134,429	174,950	102,524
Administration services	545,102	519,988	470,865	530,167
Operation and maintenance of plant services	401,388	397,110	472,150	435,928
Transportation services	244,892	315,515	285,884	378,865
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	340,103	193,657	703,054	310,862
Long-term debt:				
Principal	35,073	125,927	-	70,320
Interest and other charges	211	3,158	-	597
AEA flow-through	198,719	198,761	184,893	181,309
Total	<u>\$ 5,624,804</u>	<u>\$ 5,637,971</u>	<u>\$ 5,918,209</u>	<u>\$ 5,425,587</u>

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 2,284,801	\$ 1,841,014	\$ 1,745,603	\$ 1,969,085
276,491	279,544	273,768	236,100
397,752	686,953	608,742	239,177
32,849	30,789	43,048	18,517
2,392,953	2,321,536	2,356,429	2,278,572
133,742	131,944	65,365	138,912
\$ 5,518,588	\$ 5,291,780	\$ 5,092,955	\$ 4,880,363

\$ 2,462,001	\$ 2,222,574	\$ 2,116,665	\$ 2,208,594
401,676	413,974	476,850	533,625
559,421	590,696	585,332	370,072
112,758	160,743	155,344	150,408
52,301	106,291	107,817	121,326
562,666	527,835	458,538	541,578
382,882	351,085	476,565	360,838
241,569	386,655	216,797	259,647
3,089	1,650	24,553	769
112,810	149,259	64,531	460,228
138,520	133,499	130,185	116,469
4,196	8,623	12,492	14,731
179,715	175,642	175,918	179,687
\$ 5,213,604	\$ 5,228,526	\$ 5,001,587	\$ 5,317,972

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 19, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Turkey Valley Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Turkey Valley Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Turkey Valley Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance and Other Matters

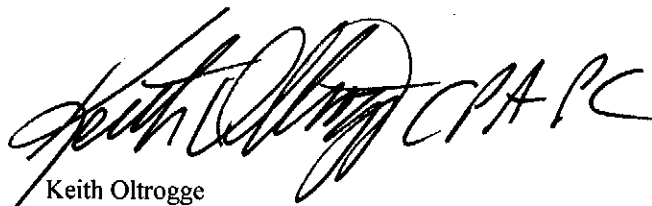
As part of obtaining reasonable assurance about whether Turkey Valley Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Turkey Valley Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Turkey Valley Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Turkey Valley Community School District and other parties to whom Turkey Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Turkey Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 19, 2012

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Robert Huinker, employee	Piano tuning	\$108

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

- II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-J-11 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-1 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	245,825
Revenues/transfers in:			
Sales tax revenues	\$	286,204	
Other local revenues		3,380	
School infrastructure supplemental amount		37,562	
Other - Donations		201,596	528,742
			<u>\$ 774,567</u>
Expenditures/transfer out:			
School infrastructure construction	\$	257,103	
Equipment		1,020	
Transfers to other funds:			
Debt service fund		35,284	293,407
			<u>\$ 481,160</u>
Ending balance			

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ -	\$ 323,766
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

II-M-11 Financial Condition – I noted during my audit that the Enterprise, Preschool Fund had a deficit balance of -\$49,661.

Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate the deficit fund balance.

Response -- The District will continue to monitor and investigate alternatives to make the necessary corrections needed.

Conclusion – Response accepted.

II-N-11 Employee Extracurricular Services – I noted during my audit that two employees received 1099s for extracurricular services. Per Iowa Code Chapter 422.16 the payments to employees should be part of payroll.

Recommendation – Payments to employees of the District who provide additional services to the District should be handled through the District's regular payroll process and reported as wages on the employee's W-2.

Response – We will include extracurricular services provided by employees in their W-2 wages.

Conclusion – Response accepted.